



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

April 28, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**MOTION TO SUPPORT SB 2 (BURTON) AND SB 921 (KUEHL) -- UNIVERSAL HEALTH CARE COVERAGE (ITEM NO. 24, AGENDA OF APRIL 29, 2003)**

Item No. 24 on the April 29, 2003 agenda, as amended by the April 25, 2003 supplemental agenda, is a motion by Supervisor Molina to support SB 2 (Burton) and SB 921 (Kuehl) and to send a five-signature letter urging support for the measures to Senator Jackie Speier, Chair of the Senate Insurance Committee; Senate Insurance Committee members; and to members of the County's State Legislative Delegation and the Governor. **The Board's State Legislative Agenda does not address universal health care coverage, therefore, a position on SB 2 and SB 921 is a matter for Board policy determination.**

**SB 2 – Health Insurance Act of 2003**

As amended on March 18, 2003, SB 2 would create the Health Insurance Act of 2003 to ensure that all working Californians and their families are provided health care coverage. Specifically, SB 2 would require employers to provide health care coverage to employees and dependents, or, alternatively, authorize employers to comply with the requirement by paying a fee to the State, which would organize the coverage via a new State Health Purchasing Program. The bill would also authorize employers to require employees to pay up to 20% of the cost of coverage, and not require employers to cover dependent persons who are eligible for coverage from another employer. This approach to health care coverage is known as "employer mandate" or "play or pay."

The proposed State Health Purchasing Program, for those employers who would pay the State for coverage, would be administered by the Managed Risk Medical Insurance Board (MRMIB). MRMIB would establish co-payments and deductibles, annually determine the fee to be paid by employers, organize contracts with health plans, and

adopt regulations to ensure the continued viability of public hospitals and clinics, community clinics, and other safety net providers.

Under existing law, the State has health coverage programs such as Medi-Cal and Healthy Families for persons with limited incomes, but does not provide a system of health care coverage for all California residents and does not require employers to provide health care coverage for employees and dependents, other than coverage provided as part of the worker's compensation system for work-related employee injuries. SB 2 would also require coordination of coverage with Medi-Cal and Healthy Families, including a requirement that enrollees in the State program provide income and eligibility information under penalty of perjury, and would become effective January 1, 2004 if enacted this year.

Proponents of the employer mandate contend that building on the model of employer-based health care coverage is a viable way to achieve universal coverage. Opponents of this approach argue that it is harmful to small businesses, and that the quality of health benefits will be diminished as employers who currently provide coverage opt out in lieu of the State organized care.

### **SB 921 – Health Care for All Californians Act**

As amended on April 21, 2003, SB 921 would establish the California Health Care System to be administered by a newly created California Health Care Agency, and make all California residents eligible for health care benefits under this system by January 1, 2006. The Agency would be under the control of an elected Health Care Commissioner. The California Health Care System would, on a single-payer basis, negotiate or set fees for health care services provided through the system and pay claims for those services. Deductibles or co-payments would be prohibited during the first two years of operation, but the Commissioner would be authorized to establish them afterwards.

SB 921 would establish a Health Policy Board to formulate policy on issues related to the health care system. It would create within the California Health Care Agency the Office of Consumer Advocacy to represent the interests of health care consumers, and the Office of Medical Practice Standards to establish standards of best medical practice, with the advice of a newly created Medical Practice Standards Advisory Board. The bill would create the Office of Inspector General for the California Health Care System within the Attorney General's Office with various oversight responsibilities.

The bill declares the intent of the Legislature to fund the system through taxes on unearned income, tobacco, alcohol, employers and employees, at rates which are not yet specified. SB 921 would also include all governmental health care funding such as Medi-Cal and Healthy Families, county indigent care programs, and employee and retiree health care spending into the single payer model.

Existing law does not provide a system of universal health care coverage for California residents. However, it does provide various programs for people with limited incomes who meet various other eligibility requirements including the Healthy Families Program and the Medi-Cal program. The bill also directs the Commissioner to pursue necessary Federal approvals and waivers, including changes to the Employee Retirement Income Security Act related to group health benefits.

Supporters of the single payer approach argue that it would streamline administration in the health care industry and lead to savings from efficiencies that can be reinvested in expanded coverage and better health care. Opponents contend that it will cause increased demand for health care that will lead to rationing of care, and reduced quality and consumer choice due to the loss of market competition.

### **Recent Analyses of Universal Coverage Proposals**

Pursuant to SB 480 (Escutia) enacted in 1999, the Health Care Options Project (HCOP), led by the California Health and Human Services Agency (CHHS), examined various reform options for extending health care coverage to California's estimated 6.6 million uninsured, including the employer mandate and single payer models reflected in SB 2 and SB 921, respectively.

With respect to the employer mandate model, HCOP's independent consultants have determined that the approach has the potential to reduce California's 6.6 million uninsured population by a range of 4.7 million to 5.7 million. The estimated new costs of an employer mandate, depending on how it is configured with respect to current employer, employee, and governmental spending, are \$22.4 billion to \$47.8 billion annually. The estimated employer cost per worker for firms that currently provide insurance is estimated to decline by a range of \$332 to \$481 annually, while the employer cost for firms that do not provide insurance would rise by a range of \$842 to \$1,360 annually.

Operationally, the employer mandate would not alter the basic structure and governance of the health insurance industry or health care providers. The financing and governance of safety net providers would not change, and their role would likely remain as a provider of care to those not covered.

HCOP's analysis of the single payer approach indicates that it would cover all of California's 6.6 million uninsured population at a estimated new cost of \$58 billion to \$76 billion annually. Operationally, the single payer approach would significantly alter the structure and governance of the health insurance industry by replacing it with a State agency, which would establish budgets and payment mechanisms for health care providers. The role of safety net providers would likely diminish over time, however, the Section 17000 mandate on counties would continue.

### **Recommendation**

While the County's State Legislative Agenda supports proposals to increase health care coverage through Medi-Cal and Healthy Families, and proposals to provide incentives to small businesses to provide health coverage, it does not address universal health care coverage. **Therefore, a position on SB 2 and SB 921 is a matter for Board policy determination.**

Because of the complexity of assessing the potential consequences of such comprehensive health care legislation on the County and the clients it serves, it is recommended that SB 2 and SB 921 be referred for a more detailed analysis by the Departments of Health Services, Mental Health, and Human Resources, and my office.

SB 2 is supported by the California Medical Association, the California Labor Federation, AFL-CIO, and is opposed by the California Chamber of Commerce,

SB 921 is sponsored by Health Care For All California. It is supported by the California Nurses Association, the California Teachers Association, the Screen Actors Guild, the National Council of Jewish Women, and others, and opposed by the California Chamber of Commerce, and the California Medical Association.

SB 2 and SB 921 are scheduled to be considered by the Senate Insurance Committee on April 30, 2003

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MAL:JF:ib

c:     Executive Officer, Board of Supervisors  
        County Counsel  
        Department of Health Services  
        Department of Human Resources  
        Department of Mental Health